

A Report to the Citizens of Tennessee

Mission statement

The mission of the Comptroller's Office is to improve the quality of life for all Tennesseans by making government work better.

Core values

- Honesty & Integrity
- Accuracy & Reliability
- Accountability

Purpose

The purpose of the Comptroller's Office is to serve the people of Tennessee by:

- contributing to the protection of the public trust and promoting the public interest;
- enhancing effective public policy decisions at all levels of government, and
- fulfilling operational and oversight responsibilities as may be assigned with the highest possible degree of excellence, efficiency and effectiveness.

Being accountable to our citizens

In keeping with the reputation of being a leader in accuracy and accountability, the Comptroller's Office volunteered to be one of the first state agencies to develop and implement performance-based budgeting. The *Tennessee Governmental Accountability Act* developed performance-based budgeting as an avenue for making state government accountable to its citizens. This report to the citizens of Tennessee provides a quick highlight of the Comptroller's Office performance-based budget, strategic plan and accomplishments.



Strategic planning

The performance-based budget for the Comptroller's Office is based on the following strategic goals:

- Goal 1:** Assure public resources are used effectively, efficiently and in compliance with applicable law.
- Goal 2:** Accomplish and provide continuous improvement for the statutory and other assigned responsibilities of the Comptroller's Office.
- Goal 3:** Provide timely, adequate and accurate information to decision makers at all government levels.
- Goal 4:** Provide a diverse, competent, ethical and professional staff, and maintain continual development of such staff.
- Goal 5:** Provide and maintain effective communication with internal and external audiences.

Role of the Comptroller

The Comptroller of the Treasury is a constitutional officer elected by the General Assembly. The Comptroller audits state and local government, as well as participates in the general financial management and leadership of state government.

The Comptroller of the Treasury is a member of more than 35 committees, boards and commissions which gives the Comptroller considerable knowledge and oversight of state government.

Over the years, the General Assembly expanded the Comptroller's duties to include property assessment, research, education accountability and oversight of local government debt.

What's inside

- Accomplishments
- Service statistics
- Budget
- Future challenges

2007 employee demographics

Division	Employee positions
Administration	8
Office of Management Services	64
Department of Audit	322
Bond Finance	9
Local Government	4
Division of Property Assessments	188
State Board of Equalization	15
Local Finance	5
Offices of Research and Education Accountability	22
Office of State Assessed Properties	14
Total employee positions	651



Our accomplishments



Award winning technology

The Comptroller's Office, along with the Department of Finance and Administration, Office of Information Resources, completed an enormous seven-year undertaking known as the Tennessee Base Mapping Program. All county paper maps have been converted to digital data to develop statewide Geographical Information Services (GIS) data for Tennessee. This forms the foundation for future digital development in the state. The Comptroller's Office received special recognition by the Environment System Research Institute at its recent users conference as the first state to complete a statewide, seamless mapping system.

Goal 1: Assurance of public resources

The Comptroller's Office is considered a post-audit agency. Through its audit function, the Comptroller's Office audits an entity's financial statements and an entity's compliance with applicable statutes, rules and regulations. The Comptroller's Office completed or reviewed more than 1,800 audits of municipal and county governments and state entities. In addition, there were 14 investigations conducted by State Audit, while County Audit and Municipal Audit turned 39 investigations over to District Attorney offices.

Goal 2: Statutory responsibilities

The Comptroller's Office carries out numerous statutory responsibilities, one being debt issuance through the State Funding Board. How does the state pay for capital projects such as land acquisition, new buildings, renovation projects and building maintenance? The state pays for these projects over time through the issuance of bonds. Investors buy bonds and the generated cash pays for capital projects. The bond sale in November 2006 totaled \$110 million and funded approximately 91 projects. Various projects included a new academic building at The University of Tennessee's College of Business Administration, Tennessee State University renovations, a new humanities building at Northeast State Technical Community College, and a land acquisition of approximately 12,500 acres for recreational activities and preservation of ecological systems.

Goal 3: Informing decision makers

As an objective, independent research arm for the General Assembly, the Comptroller's Office helps play an important role in informing public officials about issues affecting Tennesseans. For example, a research report entitled *Mothers and Babies: the Health of Tennessee's Future*, prompted the Governor's Office of Children's Care Coordination to oversee a statewide response to infant mortality, resulting in \$6 million budgeted to improve birth outcomes and a health initiative for women in underserved areas. The Governor's staff conducted a statewide needs assessment and awarded grants to improve the state's obstetrical healthcare infrastructure.

Comptroller service statistics

Savings from contract negotiations	\$21.3 million
Long term debt outstanding	\$1.2 billion
Overall interest rate on general obligation debt	4.85%
Value of centrally assessed properties	\$14.9 billion
Tax relief issued for qualified homeowners	\$15.3 million
Property tax billing documents provided to counties/cities	4 million
Audit reports completed or reviewed	1,816
State Audit investigations completed	14
Municipal Audit investigations completed	13
County Audit investigations completed	26
Waste and abuse hotline calls	506
Research and Education Accountability reports issued	17

Goal 4: Professional development

The Comptroller's Office provides for a diverse, competent, ethical and professional staff. To encourage continual development of such staff, the Comptroller's Office training policy requires that employees receive a minimum number of hours of professional and technical training annually to enhance their skills and abilities. In addition, the *Comptroller's Guide to Ethics and Conduct* encourages every employee to conduct herself or himself with the utmost integrity, professionalism and ethical behavior toward individuals and organizations associated with the Comptroller's Office.

Number of employees certified

Certified Fraud Examiners	97
Certified Public Accountants	92
Certified Govt. Financial Managers	74
Tennessee Certified Assessors	48
Certified Assessment Evaluators	20
Certified Professional Secretaries	16
Residential Evaluation Specialists	16
Certified Information Systems Auditors	13
Other	25
Total	401

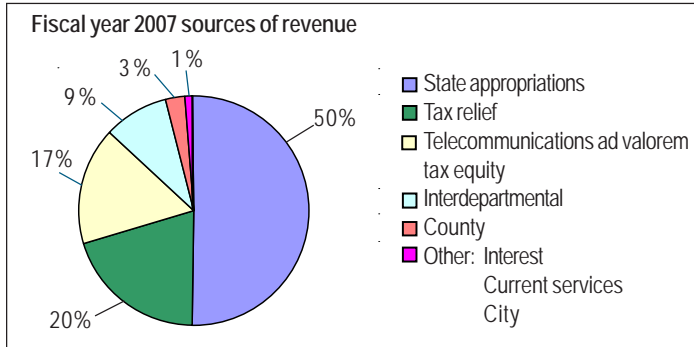
Goal 5: Effective communication

Citizens can find a tremendous wealth of information on the Comptroller's Office website, from research and audits to property assessment data and investor information. More than two million customers visit the Comptroller's Office website monthly.

Comptroller's website:
www.comptroller.state.tn.us

Comptroller of the Treasury budget

Comptroller's Office sources of revenue

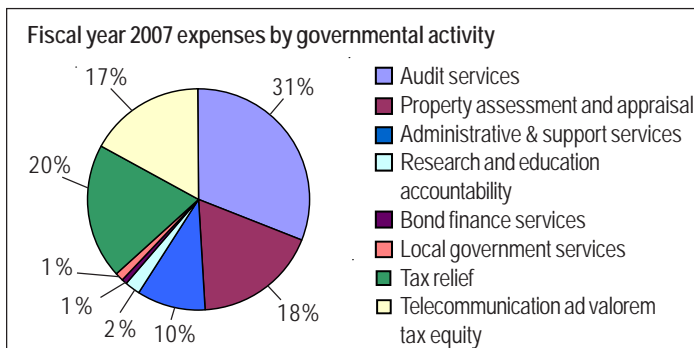


Fiscal year 2007 sources of revenue (millions)

State appropriations*	\$ 38.8
Earmarked appropriations	
• Tax relief*	15.3
• Telecommunications ad valorem tax equity	13.0
Interdepartmental	6.7
County	2.7
Interest	0.4
Current services	0.3
City	0.3
Total revenue	\$ 77.5

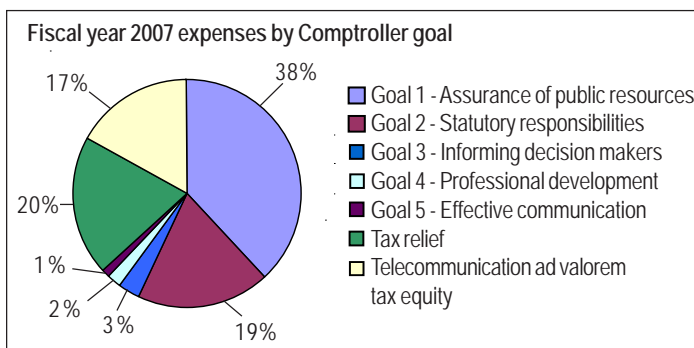
*Net of amounts reverted

Comptroller's Office expenses



Fiscal year 2007 expenses by governmental activity (millions)

Audit services	\$24.2
Property assessment and appraisal	14.2
Administrative & support services	7.6
Research and education accountability	1.8
Bond finance services	0.8
Local government services	0.6
Tax relief	15.3
Telecommunication ad valorem tax equity	13.0
Total expenses	\$ 77.5



Fiscal year 2007 expenses by Comptroller goal (millions)

Goal 1 - Assurance of public resources	\$ 29.8
Goal 2 - Statutory responsibilities	14.8
Goal 3 - Informing decision makers	2.8
Goal 4 - Professional development	1.3
Goal 5 - Effective communication	0.5
Tax relief	15.3
Telecommunication ad valorem tax equity	13.0
Total expenses	\$ 77.5

Independent audit

The Comptroller's Office does not issue separate financial statements; however, the revenue and expenses of the Comptroller's Office are included in the State's Comprehensive Annual Financial Report (CAFR). The state received a clean audit opinion on the financial statements for the year ended June 30, 2006. The fiscal year 2007 revenue and expenses are to be finalized and will be included in the fiscal year 2007 CAFR and audit report that are expected to be released in December 2007. Complete financial information is available at the state's website: www.tennessee.gov/finance/act/cafr.html.

Future challenges



Comptroller John G. Morgan



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Making government work better

The only thing we know for sure is that circumstances change. Strategies that work today are only incremental; they move us toward fulfilling our mission, but we know our work will never be "finished."

Making government work better in an ever-changing world presents us with numerous challenges. While we cannot know with absolute certainty the shape of the future, there are trends that influence our environment:

1. Educational achievement will become even more important in determining how successfully we, as a state, participate in the global economy;
2. Government will be expected to do more with less regardless of who is governing. Innovation and efficiency will be rewarded, while the status quo will not be acceptable;
3. Taxpayer confidence in the institutions of government continues to erode and must be restored, or else progress will be difficult if not impossible;
4. Regional solutions to regional concerns — including the financing of "local" government services — will become increasingly important, even in the face of public officials' desires to protect their turfs, and
5. Consequences of our current, unsustainable federal fiscal policy will influence every decision we make in state and local government.

Fortunately, with these challenges come incredible opportunities. The Office of the Comptroller of the Treasury is committed to improving the quality of life for all Tennesseans by making government work better. That is what we do.



"Vision without action is merely a dream. Action without vision just passes the time. Vision with action can change the world." — Author Joel Barker

Quick facts

Comptroller John G. Morgan became the 33rd Comptroller of the Treasury in January 1999. He has been reelected four times.

The Comptroller of the Treasury is a constitutional officer elected by both Houses of the General Assembly for a two-year term.

Tennessee's Comptroller of the Treasury was created in 1836 by the General Assembly.

Tennesseans who buy Tennessee bonds do not pay federal tax on the interest or Hall income tax on the state level.

On a local level, total loss to government entities due to fraudulent activity was \$423,830 as documented by Municipal Audit investigations.

County Audit uncovered 16 cash shortages in various county offices.

